

DEPARTMENT OF STATE REVENUE

**LETTER OF FINDINGS NUMBER: 02-0513P
Gross and Adjusted Gross Income Tax
For Calendar Years 1998 and 1999**

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ISSUE(S)

I. Tax Administration – Penalty

Authority: IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

STATEMENT OF FACTS

Taxpayer protests the proposed penalty assessment for the underpayment of estimated tax. Taxpayer states that it relied exclusively upon its independent outside accountants to calculate and advise on the timing of all federal and state estimated tax payments. A substantial miscalculation of estimated Gross Receipts Tax by those advisors resulted in underpayments of estimated Indiana taxes for both 1998 and 1999.

I. Tax Administration – Penalty

DISCUSSION

Taxpayer protests the penalty assessed for the underpayment of estimated income taxes for 1998 and 1999. Taxpayer states that it relied upon its independent outside accountants to calculate the estimated taxes and the miscalculation did not come to light until September 2000 when the 1999 Indiana return, as prepared by the outside accountants, was being reviewed by its own personnel. Taxpayer further states that the failure to properly calculate and timely remit estimated payments was inadvertent and not the result of idle carelessness.

To avoid the penalty, the quarterly estimate must equal at least twenty percent (20%) of the total income tax liability for the current taxable year or twenty-five percent (25%) of the final income tax liability for the prior taxable year. Taxpayer failed to make the quarterly estimated payments and has not provided reasonable cause to allow a penalty waiver. Procedures should have been

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in effect to assure that taxes were timely paid.

FINDING

Taxpayer's protest is denied.

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